

TexasOnline 2.0 BUSINESS MODEL FORECAST

Appendix E.8 Instructions for Completing Alternative Financial Model

This worksheet is for information purposes only.

General Instructions for E.8-Alternative Financial Model (All Worksheets)

IMPORTANT INSTRUCTIONS: Completion of E.8-Alternative Financial Model is a mandatory requirement of the RFO. A full and fair evaluation of the Vendor Offer cannot be completed without the information provided in all worksheets for Appendix E.8. The Vendor is required to propose an alternative financial model(s) that enhances the value of TexasOnline 2.0 and funds the implementation of services that are not directly financially self-supporting.

The Vendor must submit an alternative financial model(s), separate and distinct from the core financial proposals provided in Appendices E.3 through E.7. DIR will consider Offers that change the distributions to the State if they clearly demonstrate value to the State. For example, the Vendor may propose increasing the State's share of revenue above the mandatory 20 percent of gross revenues or a different net revenue share distribution.

The Vendor will prepare and submit estimates for revenues, costs, and capital investments in accordance with these instructions. Appendix E.8 gives the Vendor an opportunity to demonstrate how the Alternative Financial Model adds economic value to the State over and above the base case.

Vendor will provide best estimates on revenues, expenses, capital, and financial contributions that are consistent with and supported by the Financial Plan.

ESTIMATES ARE BASED IN FISCAL YEARS. It is important to note that the estimates for the Business Model Forecast must follow the State's fiscal year budget cycle, which for fiscal year 2010 (FY2010), begins September 1, 2009. Since the TexasOnline 2.0 contract begins January 1, 2010, the first estimates for the Business Model Forecast for FY2010 (Column C) cover the 8-month period from January 1, 2010 through August 31, 2010. From then on, the Vendor annual estimates will coincide with the State's fiscal year budget cycle until August 31, 2016. Although the contract allows for two 1-year optional periods, the worksheet only requires inputs until the end of FY2016.

Specific Instructions for E.8(a) Alternative Financial Model Template (All Worksheets)

Worksheet E.8(a) provides a template the Vendor may use, all or in part, to submit Alternative Financial Model(s). The Vendor may wish to propose an alternative approach for its entire financial model (e.g., Appendix E.3 through Appendix E.7) or for a portion of the model (e.g., Appendix E.3 only).

Revenues (Lines 6-7): Provide both transaction and service revenues (in dollar terms) expected for each of the fiscal years identified for the appropriate Alternative Financial Model. Clearly identify the sources of revenue (e.g., TexasOnline with or without Master Work Order revenues, Portal Enhancements (specify), etc.) that apply for each specific E.8 worksheet that is submitted.

Total All Costs (Line 40): Provide a combined estimate of costs for each of the fiscal years identified. Do not include Master Work Order Costs prior to FY2013. The Total All Costs for Worksheet E.8 is comprised of five components: Variable Costs, % State Share of Total Revenues, Labor/Non-Labor Operations Costs, Transition Costs, and Depreciation Costs.

The First Renewal Agreement (p.5) in Appendix F.6(c) defines "costs" as "all costs, expenditures, and expenses either related to capitalized assets or operations as further defined and computed by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB)."

Following are additional instructions for completing Worksheet E.8(a).

Variable Costs (Lines 11-15): Expenses that vary in direct proportion to the volume of business (e.g., number of transactions). Major categories for Variable Costs include fees paid for credit card processing, ePay services (provided by Current Contractor), Hosted Service Fees, Call Center and Interactive Voice Response (IVR) services for the driver's license application. For other variable costs not identified in the above categories, input your estimate in the "Other" fields (Line 10). In the narrative response, clearly indicate the costs that are included in this category.

% State Share of Total Revenue (Line 18): Propose a percentage for the State's share of Total Revenues. The percentage may stay the same as the current rate of 20 percent.

Total Labor/Operations Costs (Line 26): The sum of all costs for Labor and non-Labor Operations costs.

- Labor Costs (Lines 21-25): Provide salary and wage expenses (in dollars) for personnel organized along the five departments as defined in E.1.
- Non-Labor Operations Costs (Lines 29-34): Provide estimates for key operational cost areas that are not related to labor.
 - Data Center (Line 29): As covered in Section 2.6.4, the Data Center operations for TexasOnline 2.0 will be provided as a service by Team for Texas. This estimated amount is for TexasOnline and the Master Work Order combined. To understand the scope and estimate costs for the Data Center operations (Line 23), refer to F.5-DCS Reference Materials for additional information.
 - TEX-AN (Line 30): TexasOnline 2.0 is required to purchase its telecommunications services from the TEX-AN NG contracts. As of the date of this publication, the TEX-AN NG contracts are not available for Vendors to use in their projections. The Vendor will use the actual TexasOnline network services cost from fiscal year 2008, which was \$174,861, as the cost for each year of the Initial Term of the Agreement. The TEX-AN cost is for information purposes only and does not reflect any forward-looking description of anticipated usage.
 - Software Licensing (Line 31): Represents the installation and ongoing maintenance license fees for all general management and application-specific software. This does not include the cost of systems software and other software provided by the Data Center Schedule (Appendix F.5). Software Licensing costs associated with Capital Investments, such as for Infrastructure or New Applications, should not be included in this line.
 - Non-Data Center Hardware (Line 32): The Vendor may make an investment in computer hardware and other equipment not within the scope of the Data Center operations.
 - Marketing/Promotions (Line 33): The Vendor may incur costs related to developing communications collateral, promotional materials, advertising, and other marketing services that are required by plans to reach new and existing customers.
 - Other Operational Costs (Line 34): Any additional non-labor costs not been identified above should be input in this cost area. The Vendor will provide explanation of these costs in the Financial Plan response per RFO Section 3.6.

Depreciation (Line 37): The Vendor must estimate the depreciation expense related to the investment in Capital Assets in accordance with GAAP.

Capital Investment (Lines 44-45): The estimate of the Vendor planned expenditures for Capital Investment for TexasOnline 2.0 services throughout the base contract period. Capital Investments refer to money invested that is used to purchase fixed assets or in the development of a new application or service, rather than used to cover the business' day-to-day operating expenses. For the purposes of this Statement of Operations, Capital Investments are categorized as either investments in Internal Infrastructure or New Application Development.

The First Renewal Agreement (p.5) in Appendix F.6(c) defines "capital assets" as "long-term assets with a depreciable life of at least one year and a cost of at least \$5,000, generally including assets such as land, buildings, fixtures, and equipment."

Available Contribution for Investment Recovery and Net Share (Line 48): The net amount (surplus or deficit) that Total Revenues exceed Total Costs and Capital Investments on an annual basis. The net contribution surplus is applied toward the Vendor's accrued Capital Investments until full recovery of investments is reached. Once breakeven for the Vendor's investments is reached, the Contribution amount is available for a Net Share distribution or Reinvestment for non-revenue generating or projects that are not financially self-sufficient according to the Vendor's Alternative Financial Model (see Section 3.6.8).

Appendix E.8(a) - Alternative Financial Model Template

TexasOnline 2.0

		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Revenues								
Transaction Revenue								
Service Revenue								
Total Revenues		-	-	-	-	-	-	-
Variable Costs								
Credit Card Fees								
ePay/Transaction Processing								
Hosted Service Fees								
Call Center Support and DL IVR								
Other								
Total Variable Costs		-	-	-	-	-	-	-
% State Share of Total Revenue	%	-	-	-	-	-	-	-
Labor Costs								
Management (General & Administrative)								
Operations								
Product Development/Tech/Engineering								
Marketing/Outreach								
Help Desk/Customer Support								
Total Labor Costs		-	-	-	-	-	-	-
Non-Labor Operations Costs								
Data Center								
TEX-AN								
Software Licensing								
Non-Data Center Hardware								
Marketing/Promotion								
Other								
Total Non-Labor Operations Costs		-	-	-	-	-	-	-
Depreciation Costs								
Total All Costs		-	-	-	-	-	-	-
Capital Investment								
New Application Development								
Internal Infrastructure								
Total Capital Investment		-	-	-	-	-	-	-
Available Contribution for Investment Recovery & Net Share		-	-	-	-	-	-	-